

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | | |
|---|--------------|-----------------|--------------------------------------|--------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name | | County |
| Fiscal Year End | Opinion Date | | Date Audit Report Submitted to State | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | | |
|--|--------------------------|--|----------------|-----|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | | |
| Financial Statements | <input type="checkbox"/> | | | |
| The letter of Comments and Recommendations | <input type="checkbox"/> | | | |
| Other (Describe) | <input type="checkbox"/> | | | |
| Certified Public Accountant (Firm Name) | | Telephone Number | | |
| Street Address | | City | State | Zip |
| Authorizing CPA Signature | Printed Name | | License Number | |

COLDWATER HOUSING COMMISSION

Financial Statements

March 31, 2006

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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John C. DiPiero, P.C.

Certified Public Accountant

P. O. Box 378
Hemlock, Michigan 48626
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Board of Commissioners
Coldwater Housing Commission
60 S. Clay Street
Coldwater, Michigan 49036

Independent Auditor's Report

I have audited the Business Type Activities of the Coldwater Housing Commission as of and for the year ended March 31, 2006. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coldwater Housing Commission as of March 31, 2006, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 28, 2006 on my consideration of the Coldwater Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Certified Public Accountant

June 28, 2006

This discussion and analysis of the Coldwater Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

Entity-Wide Statements

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

Fund Statements

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Entity-Wide Financial Highlights

The Commission was awarded and received the following Federal Assistance:

| | <u>Year 2006</u> | <u>Year 2005</u> |
|--------------------------------|------------------|------------------|
| Operating Subsidies | \$ 62,892 | \$ 62,038 |
| Housing Choice Voucher Program | 88,685 | 80,078 |
| Capital Projects Funds | 239,723 | 134,543 |

Comparison of the current year to the past and discussion of significant changes as follows:

| | <u>Year 2006</u> | <u>Year 2005</u> | <u>Net Change</u> |
|---------------------------|------------------|------------------|-----------------------|
| Cash & cash equivalents | \$ 153,477 | \$ 144,635 | 8,842 |
| Accounts Receivable | 27,132 | 32,898 | (5,766) |
| Investments | | | |
| (Restricted/Unrestricted) | 96,530 | 96,530 | |
| Prepaid Expenses | 15,547 | 7,625 | 7,922 |
| Fixed Assets, prior to | | | |
| Depreciation | 3,912,535 | 3,741,067 | 171,468 |
| Total Liabilities | 86,135 | 56,151 | 29,984 |
| Net Assets | 1,748,114 | 1,747,039 | 1,075 |

| | <u>Year 2006</u> | <u>Year 2005</u> | <u>Net Change</u> |
|-----------------------------|------------------|------------------|-------------------|
| Revenues: | | | |
| Tenant Revenues | 278,185 | 271,257 | 6,928 |
| HUD Grants | 391,300 | 276,659 | 114,641 |
| Other Revenue | 19,282 | 15,603 | 3,679 |
| Expenses: | | | |
| Administrative | 183,704 | 177,667 | 6,037 |
| Tenant Services | 75 | 272 | (197) |
| Utilities | 82,612 | 75,030 | 7,582 |
| Maintenance & Operations | 130,012 | 116,682 | 13,330 |
| General Expenses | 33,971 | 29,617 | 4,354 |
| Depreciation Expense | 172,180 | 167,788 | 4,392 |
| Housing Assistance Payments | 85,309 | 69,074 | 16,235 |

The Commission's cash position increased during the year, our accounts receivable decreased; our fixed assets before depreciation increased, total liabilities increased, and Net Assets increased. HUD grants increased, Maintenance increased, Housing Assistance Payments increased, other expenses had unremarkable dollar changes.

A more detailed review of the above changes as follows:

Our cash position increased as a result of a net profit of \$ 173,084 before depreciation; we also increased our fixed assets prior to depreciation by \$ 114,641. Accounts receivable decreased as a result of receiving payments from the account we manage- Horizon Apartments. Prepaid insurance increased, our commercial liability insurance increased \$ 5,049 over the prior year; liabilities increased, due to the timing of paying year end accounts payable (A/P), our A/P increased \$ 22,639, tenant security deposits increased \$ 2,390, and accrued compensated absences increased \$ 5,274.

HUD grants are a result of requisitioning eligible funds; our capital fund requisitions increased \$ 105,180; we closed our 2004 Capital Fund Project, (CFP). HUD grants for the Low Rent Program are a result of calculations under the Performance Funding System; our subsidy remained unchanged; Housing Choice Vouchers increased \$ 8,607. The increase in vouchers were the result of adding a new increment of 12 late in the fiscal year.

The Commission provided the following housing for low to moderately low income families:

| | <u>Year 2006</u> | <u>Year 2005</u> |
|-------------------------|------------------|------------------|
| Low Rent Public Housing | 100 | 100 |
| Housing Choice Vouchers | 37 | 25 |

General Fund Budgetary Highlights

The Commission approved an operating budget on May 3 2005 for the fiscal year ending March 31, 2006; due to funding uncertainty and changes in HUD formulas, the budget was approved after the beginning of the fiscal year. We had no occasion to amend the original budget.

The following represents the significant changes from the original budget to the actual results:

| | <u>Actual Results</u> | <u>Original Budget</u> | <u>Difference</u> |
|-----------------------------------|-----------------------|------------------------|-------------------|
| Total Income | \$ 688,767 | \$ 643,199 | \$ 45,568 |
| Administrative Expenses | 183,704 | 196,087 | (12,383) |
| Utilities | 82,612 | 83,410 | 798 |
| Ordinary Maintenance & Operations | 130,012 | 68,103 | 61,909 |
| General Expenses | 33,971 | 39,440 | (5,469) |
| Depreciation Expense | 172,180 | 170,850 | 1,330 |
| Housing Assistance Payments | 85,309 | 85,309 | 0 |
| Net Income (Loss) | 904 | 0 | 904 |

The original budget included \$ 174,514 in CFP income, our actual CFP was \$ 239,723; we over anticipated employee benefit cost in our original budget - per budget \$ 61,100, actual was \$ 37,951 or a difference of \$ 23,149 whereas other administrative cost (telephone, office supplies, etc.) were over budget by \$ 7,419. Budgeting of Ordinary Maintenance does not include benefits, or routine maintenance charged to operations from the CFP program; the total transfers from CFP to cover those cost was \$ 52,754.

Entity Wide Capital Assets

The fixed assets increased \$ 171,468 prior to depreciation. The additions included site improvements, kitchen cabinet replacements, and upgrades to our security system. We closed out the 2004 CFP 118,961. The total increases for major assets were as follows: kitchen cabinet replacement \$ 121,946, unit turnover, carpet replacement, elevator maintenance \$ 42,690, maintenance & office equipment \$ 6,832.

Commission's Position

The Commission's proposed improvements include a canopy for the main entrance and energy saving updates; we anticipate the cost will be covered by our capital fund program. We are in the process of investigating the possibilities of converting several units to assisted living units; the ultimate decision will depend on State sponsored Medicare Waiver payments and other funding that is yet to be determined. However, we recognize the need for such units and will continue to research the possibilities.

We anticipate current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income elderly families.

Questions or comments concerning this Management Discussion and Analysis may be directed to:

Cathy Gordon, Executive Director
60 Clay Street
Coldwater, Michigan 49036

COLDWATER HOUSING COMMISSION
Statement of Net Assets
March 31, 2006

ASSETS

C-3058

CURRENT ASSETS

| | | | |
|--|----|---------------|---------|
| Cash | \$ | 153,477 | |
| Accounts Receivable (net of allowance for doubtful accounts \$ 2,779) | | 624 | |
| Accounts Receivable- Other | | 26,508 | |
| Investments | | 96,530 | |
| Prepaid Expenses & Inventories | | <u>15,547</u> | |
| Total Current Assets | \$ | | 292,686 |

NON CURRENT ASSETS

| | | | |
|--------------------------------------|----|--------------------|------------------|
| Land | \$ | 76,598 | |
| Buildings | | 1,688,553 | |
| Furniture, Equipment- Dwellings | | 1,382 | |
| Furniture, Equipment- Administrative | | 82,673 | |
| Construction in Progress | | 42,295 | |
| Leasehold Improvements | | 2,021,034 | |
| Accumulated Depreciation | | <u>(2,370,972)</u> | |
| Total Non Current Assets | | | <u>1,541,563</u> |

| | | |
|---------------------|----|------------------|
| <u>TOTAL ASSETS</u> | \$ | <u>1,834,249</u> |
|---------------------|----|------------------|

COLDWATER HOUSING COMMISSION
Statements of Net Assets
March 31, 2006

LIABILITIES

C-3058

CURRENT LIABILITIES

| | | | |
|------------------------------------|----|------------|--------|
| Accounts Payable | \$ | 29,291 | |
| Accrued Compensated Absences | | 9,140 | |
| Accounts Payable-Other Governments | | 19,569 | |
| Tenants Security Deposit | | 12,970 | |
| Accrued Liabilities- Other | | <u>831</u> | |
| <u>Total Current Liabilities</u> | \$ | | 71,801 |

NON CURRENT LIABILITIES

| | | | |
|--------------------------|----|---------------|--------|
| Compensated Absences | | <u>14,334</u> | |
| <u>Total Liabilities</u> | \$ | | 86,135 |

NET ASSETS

| | | | |
|--|----|----------------|------------------|
| Investment in Fixed Assets, net of related Debt | \$ | 1,541,563 | |
| Unrestricted Net Assets | | <u>206,551</u> | |
| <u>Total Net Assets</u> | | | <u>1,748,114</u> |
| <u>TOTAL LIABILITIES & NET ASSETS</u> | \$ | | <u>1,834,249</u> |

The Accompanying Notes are an Integral part of the Financial Statements

COLDWATER HOUSING COMMISSION
Statement of Revenue, Expenses, and Changes in Net Assets
For the year ended March 31, 2006

OPERATING REVENUE

| | | |
|--------------------------------|---------------|------------|
| Tenant Rental Revenue | \$ 274,671 | |
| Tenant Revenue-Other | 3,514 | |
| HUD Grants | 204,331 | |
| Interest Income | 3,304 | |
| Other Income | <u>17,503</u> | |
| <u>Total Operating Revenue</u> | | \$ 503,323 |

OPERATING EXPENSES

| | | |
|---------------------------------|---------------|----------------|
| Administrative | \$ 183,704 | |
| Tenant Services | 75 | |
| Utility Expenses | 82,612 | |
| Ordinary Maintenance | 130,012 | |
| General Expenses | <u>33,971</u> | |
| <u>Total Operating Expenses</u> | | <u>430,374</u> |
| <u>Operating Income (Loss)</u> | | \$ 72,949 |

NONOPERATING REVENUE (EXPENSES)

| | | |
|--|------------------|------------------|
| Housing Assistance Payments | \$ (85,309) | |
| Loss on Sale of Assets | (1,525) | |
| Depreciation Expenses | <u>(172,180)</u> | |
| <u>Total NonOperating Revenue (Expenses)</u> | | <u>(259,014)</u> |
| <u>Income (Loss) before Contributions</u> | | \$ (186,065) |

CAPITAL CONTRIBUTIONS

| | | |
|-----------------------------------|--------------|-------------------------|
| | | <u>186,969</u> |
| <u>Changes in Net Assets</u> | | \$ 904 |
| Total Net Assets- Beginning | \$ 1,747,039 | |
| Correction of prior year accruals | <u>171</u> | <u>1,747,210</u> |
| Total Net Assets- Ending | | \$ <u>1,748,114</u> |

The Accompanying Notes are an Integral part of the Financial Statements

COLDWATER HOUSING COMMISSION
Combined Statement of Cash Flows
For the Year Ended March 31, 2006

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|-------------------|
| Receipts from Customers | \$ 276,766 |
| Payments to Suppliers | (337,675) |
| Payments to Employees | (148,761) |
| HUD Grants | 391,300 |
| Other Receipts (Payments) | <u>19,282</u> |
| Net Cash Provided (Used) by Operating Activities | \$ <u>200,912</u> |

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

| | |
|---|---------------------|
| Purchases of Capital Assets | \$ <u>(192,070)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ 8,842 |
| Balance- Beginning of Year | <u>144,635</u> |
| Balance- End of Year | \$ <u>153,477</u> |

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

| | |
|---|-------------------|
| Net Profit or (Loss) | \$ 904 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | |
| Depreciation | 172,180 |
| Changes in Assets (Increase) Decrease: | |
| Receivables (Gross) | 5,766 |
| Prepaid Expenses | (7,922) |
| Changes in Liabilities Increase (Decrease): | |
| Accounts Payable | 22,639 |
| Compensated Absences | 5,274 |
| Accounts Payable- Other Governments | (830) |
| Accrued Liabilities | 511 |
| Security Deposits | <u>2,390</u> |
| Net Cash Provided by Operating Activities | \$ <u>200,912</u> |

The Accompanying Notes are an Integral part of the Financial Statements

COLDWATER HOUSING COMMISSION
Notes to Financial Statements
March 31, 2006

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Coldwater Housing Commission, Coldwater, Michigan, (Commission) was created by an ordinance of Coldwater, Michigan. The Commission signed an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

| | | |
|--------------|--------------------|-----------|
| MI 56-001 | Low rent program | 100 units |
| MI 33V056001 | Section 8 Vouchers | 37 units |

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above, a component unit does exist which is reported.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, unless they conflict with the Governmental Accounting Standards Board (GASB) pronouncements.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Due to/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods or services; these receivables and payables are classified as "due from" or "due to" other funds on the Balance Sheet.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

| | |
|----------------------------|------------|
| Buildings and Improvements | 40 years |
| Equipment | 3-10 years |

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

| | |
|--------------------------------|-------------------|
| General Fund Checking Accounts | \$ 76,922 |
| Petty Cash | 200 |
| Saving Account | <u>76,355</u> |
| Financial Statement Total | <u>\$ 153,477</u> |

Notes to Financial Statements- continued

Investments:

Certificates of Deposit \$ 96,530

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

| | Categories | | | | |
|------------------|------------|----|----|--------------------|-----------------|
| | 1 | 2 | 3 | Carrying Amount | Market Value |
| Cash: | | | | | |
| Checking A/C's | \$ 76,922 | \$ | \$ | \$ 76,922 | \$ 76,922 |
| Petty Cash | 200 | | | 200 | 200 |
| Savings Accounts | 76,355 | | | 76,355 | 76,355 |
| Total Cash | \$ 153,477 | \$ | \$ | \$ 153,477 | \$ 153,477 |

Investments:

| | | | | |
|----------------------------|-----------|----|-----------|-----------|
| Certificates of Deposit | \$ 96,530 | \$ | \$ 96,530 | \$ 96,530 |
|----------------------------|-----------|----|-----------|-----------|

Note 3: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

| | Beginning of Year | Additions | Deletions | End of Year |
|----------------------------------|----------------------|------------|-----------|----------------|
| Land | \$ 76,598 | \$ | \$ | \$ 76,598 |
| Buildings | 1,463,281 | 225,272 | | 1,688,553 |
| Furniture & Equipment-Admin | 82,295 | 1,760 | | 84,055 |
| Construction in Progress | | 42,295 | | 42,295 |
| Leasehold Improvements | 2,118,893 | | 97,859 | 2,021,034 |
| | \$ 3,741,067 | \$ 269,327 | \$ 97,859 | \$ 3,912,535 |
| Less Accumulated Depreciation | 2,219,565 | 172,180 | 20,773 | 2,370,972 |
| | \$ 1,521,502 | \$ 97,147 | \$ 77,086 | \$ 1,541,563 |

Notes to Financial Statements- continued

Note 4: Pension Plan

The Commission participates in the City of Coldwater retirement plan. All eligible employees participate in a deferred compensation plan. Statistical information and funding data are available in a separate audit report prepared by Coldwater.

Note 5: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 6: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 7: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

| <u>Types of Policies</u> | <u>Coverage's</u> |
|--|-------------------|
| Property | \$ 7,024,122 |
| General Liability | 1,000,000 |
| Automobile Liability | 1,000,000 |
| Dishonesty Bond | 1,000,000 |
| Worker's Compensation and other riders: minimum coverage's required by the State of Michigan | |

Coldwater Housing Commission

31-Mar-06

MI056

| Combining Balance Sheet | | Low Rent 14.850 | Housing Choice Voucher Program 14.855 | Capital Projects Funds 14.872 | Component Unit | TOTAL |
|-------------------------|--|--------------------|---|----------------------------------|-------------------|-------------|
| Line Item # | | | | | | |
| | ASSETS: | | | | | |
| | CURRENT ASSETS: | | | | | |
| | Cash: | | | | | |
| 111 | Cash - unrestricted | 60,816 | 14,747 | - | 64,944 | 140,507 |
| 112 | Cash - restricted - modernization and development | - | | | | - |
| 113 | Cash - other restricted | | | | | - |
| 114 | Cash - tenant security deposits | 12,970 | | | | 12,970 |
| 100 | Total cash | 73,786 | 14,747 | - | 64,944 | 153,477 |
| | Accounts and notes receivables: | | | | | |
| 121 | Accounts receivable - PHA projects | | | | | - |
| 122 | Accounts receivable - HUD other projects | - | | 23,421 | | 23,421 |
| 124 | Accounts receivable - other government | | | | | - |
| 125 | Accounts receivable - miscellaneous | 2,947 | 140 | | | 3,087 |
| 126 | Accounts receivable- tenants - dwelling rents | 3,403 | | | | 3,403 |
| 126.1 | Allowance for doubtful accounts - dwelling rents | (2,779) | | | | (2,779) |
| 126.2 | Allowance for doubtful accounts - other | | | | | - |
| 127 | Notes and mortgages receivable- current | | | | | - |
| 128 | Fraud recovery | | | | | - |
| 128.1 | Allowance for doubtful accounts - fraud | | | | | - |
| 129 | Accrued interest receivable | | | | | - |
| 120 | Total receivables, net of allowances for doubtful accounts | 3,571 | 140 | 23,421 | - | 27,132 |
| | Current investments | | | | | - |
| 131 | Investments - unrestricted | 96,530 | | | | 96,530 |
| 132 | Investments - restricted | | | | | - |
| 142 | Prepaid expenses and other assets | 13,147 | | | | 13,147 |
| 143 | Inventories | 2,400 | | | | 2,400 |
| 143.1 | Allowance for obsolete inventories | | | | | - |
| 144 | Interprogram - due from | 50,070 | - | - | | 50,070 |
| 146 | Amounts to be provided | | | | | - |
| 150 | TOTAL CURRENT ASSETS | 239,504 | 14,887 | 23,421 | 64,944 | 342,756 |
| | NONCURRENT ASSETS: | | | | | |
| | Fixed assets: | | | | | |
| 161 | Land | 76,598 | | | | 76,598 |
| 162 | Buildings | 1,688,553 | | | | 1,688,553 |
| 163 | Furniture, equipment & machinery - dwellings | 1,382 | | | | 1,382 |
| 164 | Furniture, equipment & machinery - administration | 68,731 | 995 | 12,947 | | 82,673 |
| 165 | Leasehold improvements | 1,852,030 | | 169,004 | - | 2,021,034 |
| 166 | Accumulated depreciation | (2,353,776) | (995) | (16,201) | | (2,370,972) |
| 167 | Construction in Progress | | | 42,295 | | 42,295 |
| 160 | Total fixed assets, net of accumulated depreciation | 1,333,518 | - | 208,045 | - | 1,541,563 |
| 171 | Notes and mortgages receivable - non-current | | | | | - |
| 172 | Notes and mortgages receivable-non-current-past due | | | | | - |
| 174 | Other assets | | | | | - |
| 175 | Undistributed debits | | | | | - |
| 176 | Investment in joint ventures | | | | | - |
| 180 | TOTAL NONCURRENT ASSETS | 1,333,518 | - | 208,045 | - | 1,541,563 |
| 190 | TOTAL ASSETS | 1,573,022 | 14,887 | 231,466 | 64,944 | 1,884,319 |

| | | | | | | |
|-----|--|-----------|----------|---------|--------|-----------|
| | LIABILITIES AND EQUITY | | | | | |
| | LIABILITIES: | | | | | |
| | CURRENT LIABILITIES | | | | | |
| 311 | Bank overdraft | | | | | - |
| 312 | Accounts payable ≤ 90 days | 29,291 | | | - | 29,291 |
| 313 | Accounts payable > 90 days past due | | | | | - |
| 321 | Accrued wage/payroll taxes payable | - | | | | - |
| 322 | Accrued compensated absences | 9,140 | | | | 9,140 |
| 324 | Accrued contingency liability | | | | | - |
| 325 | Accrued interest payable | | | | | - |
| 331 | Accounts payable - HUD PHA programs | | - | | | - |
| 332 | Accounts Payable - PHA Projects | | | | | |
| 333 | Accounts payable - other government | 19,569 | - | - | | 19,569 |
| 341 | Tenant security deposits | 12,970 | | | | 12,970 |
| 342 | Deferred revenues | - | | | | - |
| 343 | Current portion of Long-Term debt - capital projects | | | | | - |
| 344 | Current portion of Long-Term debt - operating borrowings | | | | | - |
| 345 | Other current liabilities | - | | | | - |
| 346 | Accrued liabilities - other | 831 | - | | | 831 |
| 347 | Inter-program - due to | - | 26,649 | 23,421 | - | 50,070 |
| 310 | TOTAL CURRENT LIABILITIES | 71,801 | 26,649 | 23,421 | - | 121,871 |
| | NONCURRENT LIABILITIES | | | | | |
| 351 | Long-term debt, net of current- capital projects | | | | | - |
| 352 | Long-term debt, net of current- operating borrowings | | | | | - |
| 353 | Noncurrent liabilities- other | 14,334 | | | | 14,334 |
| 350 | TOTAL NONCURRENT LIABILITIES | 14,334 | - | - | - | 14,334 |
| 300 | TOTAL LIABILITIES | 86,135 | 26,649 | 23,421 | - | 136,205 |
| | EQUITY: | | | | | |
| 501 | Investment in general fixed assets | | | | | - |
| | Contributed Capital: | | | | | |
| 502 | Project notes (HUD) | | | | | - |
| 503 | Long-term debt - HUD guaranteed | - | | | | - |
| 504 | Net HUD PHA contributions | - | | | - | - |
| 505 | Other HUD contributions | | | | | - |
| 508 | Net Assets invested in Capital Assets | 1,333,518 | | 208,045 | | 1,541,563 |
| 508 | Total contributed capital | 1,333,518 | - | 208,045 | - | 1,541,563 |
| | Reserved fund balance: | | | | | - |
| 509 | Reserved for operating activities | | | | | - |
| 510 | Reserved for capital activities | | | | | - |
| 511 | Total reserved fund balance | - | - | - | - | - |
| 512 | Undesignated fund balance/retained earnings | 153,369 | (11,762) | - | 64,944 | 206,551 |
| 513 | TOTAL EQUITY | 1,486,887 | (11,762) | 208,045 | 64,944 | 1,748,114 |
| 600 | TOTAL LIABILITIES AND EQUITY | 1,573,022 | 14,887 | 231,466 | 64,944 | 1,884,319 |

- - - - -

Coldwater Housing Commission

31-Mar-06

MI056

| Combining Income Statement | | Low Rent 14.850 | Section 8 Housing Choice Voucher Program 14.855 | Capital Projects Funds 14.872 | Component Unit | TOTAL |
|----------------------------|---|--------------------|--|----------------------------------|-------------------|---------|
| Line Item # | | | | - | | |
| | REVENUE: | - | - | | | |
| 703 | Net tenant rental revenue | 274,671 | | | | 274,671 |
| 704 | Tenant revenue - other | 3,514 | | | | 3,514 |
| 705 | Total tenant revenue | 278,185 | - | - | - | 278,185 |
| 706 | HUD PHA grants | 62,892 | 88,685 | 239,723 | - | 391,300 |
| 708 | Other government grants | | | | | - |
| 711 | Investment income - unrestricted | 2,532 | 133 | - | 639 | 3,304 |
| 712 | Mortgage interest income | | | | | - |
| 714 | Fraud recovery | | | | | - |
| 715 | Other revenue | 17,503 | - | - | | 17,503 |
| 716 | Gain or loss on the sale of fixed assets | (1,525) | | | | (1,525) |
| 720 | Investment income - restricted | | | | | - |
| 700 | TOTAL REVENUE | 359,587 | 88,818 | 239,723 | 639 | 688,767 |
| | EXPENSES: | | | | | |
| | Administrative | | | | | |
| 911 | Administrative salaries | 93,975 | 9,882 | | | 103,857 |
| 912 | Auditing fees | 2,320 | 580 | | | 2,900 |
| 913 | Outside management fees | | | | | - |
| 914 | Compensated absences | 5,276 | | | | 5,276 |
| 915 | Employee benefit contributions- administrative | 34,073 | 3,878 | | | 37,951 |
| 916 | Other operating- administrative | 31,509 | 2,211 | - | - | 33,720 |
| | Tenant services | | | | | |
| 921 | Tenant services - salaries | | | | | - |
| 922 | Relocation costs | - | | | | - |
| 923 | Employee benefit contributions- tenant services | | | | | - |
| 924 | Tenant services - other | 75 | | | | 75 |
| | Utilities | | | | | |
| 931 | Water | 12,494 | | | | 12,494 |
| 932 | Electricity | 34,982 | | | | 34,982 |
| 933 | Gas | 35,106 | | | | 35,106 |
| 934 | Fuel | - | | | | - |
| 935 | Labor | | | | | - |
| 937 | Employee benefit contributions- utilities | | | | | - |
| 938 | Other utilities expense | 30 | | | | 30 |
| | Ordinary maintenance & operation | | | | | |
| 941 | Ordinary maintenance and operations - labor | 44,904 | | | | 44,904 |
| 942 | Ordinary maintenance and operations - materials & other | 16,762 | | | | 16,762 |
| 943 | Ordinary maintenance and operations - contract costs | 54,305 | | | | 54,305 |
| 945 | Employee benefit contributions- ordinary maintenance | 14,041 | | | | 14,041 |
| | Protective services | | | | | |
| 951 | Protective services - labor | | | | | - |

COLDWATER HOUSING COMMISSION
Status of Prior Audit Findings
March 31, 2006

The prior audit of the Coldwater Housing Commission for the period ended March 31, 2005, contained two audit findings, the corrective action taken by the Commission is as follows:

- 1) Tenant Accounting Discrepancies- Low Rent; a test of files did not reveal any discrepancies.
- 2) Tenant Accounting Discrepancies- Voucher Program; a test of files did not reveal any discrepancies.

COLDWATER HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
March 31, 2006

I have audited the financial statements of Coldwater Housing Commission as of and for the year ended March 31, 2006, and have issued my report dated June 28, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As a part of obtaining reasonable assurance about whether Coldwater Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I do not express such an opinion. However, the results of my tests did not disclose instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Coldwater Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. I did not note any matters relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Coldwater Housing Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe no reportable conditions or material weaknesses exist.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

June 28, 2006

COLDWATER HOUSING COMMISSION
Schedule of Findings and Questioned Cost
March 31, 2006

Summary of Auditor's Results:

Programs:

| | <u>Major Program</u> | <u>Non Major Program</u> |
|---------------------------|----------------------|--------------------------|
| Low income Public Housing | | X |
| Capital Fund Project | | X |
| Housing Choice Vouchers | | X |

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted _____ Yes X No

Reportable condition(s) noted _____ Yes X No

Non Compliance material to financial statements noted _____ Yes X No

Report on compliance for Federal programs-

Qualified

Material weakness(es) noted _____ Yes X No

Reportable condition(s) noted _____ Yes X No

Non Compliance material to financial statements noted _____ Yes X No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

| <u>Name of Federal Program</u> | <u>Major Program</u> | <u>Questioned Costs</u> | <u>Audit Finding Number</u> |
|--------------------------------|----------------------|-------------------------|-----------------------------|
| Low Rent Program | No | None | None |
| Housing Choice Voucher Program | No | None | None |
| Capital Fund Program | No | None | None |